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Message Text

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TAGS: EAID, BTIO, GW, BM
SUBJECT: AWARD OF CONTRACTS FOR FRG CAPITAL ASSISTANCE PROJECTS

REF: RANGOON A-108

1. FRG MINISTRY FOR ECONOMIC COOPERATION HAS PROVIDED THE EMBASSY THE FOLLOWING INFORMATION REGARDING ADMINISTRATIVE AND DE FACTO CONSTRAINTS ON WORLD-WIDE PROCUREMENT FOR FRG-FINANCED DEVELOPMENT ASSISTANCE PROJECTS.

2. PROCUREMENT FOR PROJECTS FINANCED BY THE KREDITANSTATT FUER WIEDERAUFBAU (KFW) IS LIMITED TO GERMAN SUPPLIERS IN THE CASES OF NUCLEAR ENERGY PROJECTS, SHIPBUILDING, LOCOMOTIVES, AND CONSULTING ENGINEERING SERVICES. TIED PROCUREMENT FOR SHIPBUILDING IS REQUIRED UNDER A 1963 CABINET DECISION. IT IS THE ONLY AREA IN WHICH NO DISCRETION
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IS PERMITTED TO KFW. THE REASON GIVEN FOR TIED

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PROCUREMENT OF LOCOMOTIVES IS THE STRUCTURAL WEAKNESS
OF THE DOMESTIC LOCOMOTIVE MANUFACTURING INDUSTRY,
WHICH IS HEAVILY DEPENDENT ON EXPORT DEMAND AND
MOREOVER IS LOCATED IN A RELATIVELY DEPRESSED REGION
OF LOWER SAVONY. NUCLEAR POWER PROJECTS AND
CONSULTING ENGINEERING ARE TIED IN ORDER TO HELP
GERMAN FIRMS COMPETE WITH LARGER AND BETTER-ESTABLISHED
FOREIGN FIRMS. TIED PROCUREMENT ALSO HELPS FRG
IN KEEPING CLOSE CONTROL OVER SENSITIVE NUCLEAR
POWER AREA.

3. LIST OF KFW FINANCED PROJECTS IN BURMA CONTAINED
IN REF AIRGRAM WAS REVIEWED WITH LEHMANN, DIRECTOR
OF OFFICE FOR CAPITAL AND TECHNICAL ASSISTANCE
POLICY IN ECONOMIC COOPERATION MINISTRY, WHO
CONFIRMED THAT THIS IS COMPLETE LIST OF KFW CAPITAL
ASSISTANCE PROJECTS UNDERTAKEN SINCE 1965 IN
BURMA, AND THAT EACH PROJECT HAS BEEN UNTIED.
HOWEVER, THE KYUNEHAUNG FERTILIZER FACTORY
AND THE PALECK TEXTILE PLANT WERE FINANCED BY MIXED
PRIVATE/KFW CREDITS. SINCE SUCH PRIVATE CREDITS
ARE LINKED TO GERMAN EXPORTS, IT IS NEARLY
IMPOSSIBLE FOR A NON-GERMAN FIRM TO BE AWARDED
CONTRACT UNLESS PROJECT INVOLVES SEVERAL CLEARLY
SEPARABLE COMPONENTS. THE REQUIREMENT THAT
CONSULTING ENGINEERING SERVICES MUST BE PERFORMED
BY A GERMAN FIRM, AS IS CASE WITH PLANNED SHEET GLASS
MANUFACTURING PLANT, ALSO POSES SEVERE OBSTACLE TO
US FIRMS, SINCE SPECIFICATIONS WILL NORMALLY FAVOR
GERMAN SUPPLIERS.

4. LEHMANN AND OTHER ECONOMIC COOPERATION MINISTRY
OFFICIALS CONTENDED THAT AWARDS OF KFW PROJECTS
IN BURMA WAS NOT A TYPICAL CASE, AND POINTED OUT THAT
A NUMBER OF KFW PROJECTS ELSEWHERE HAVE BEEN
AWARDED TO NON-GERMAN FIRMS. WHILE EMBASSY IS NOT
ESPECIALLY KNOWLEDGEABLE ABOUT ACTIVITY OF PRIVATE
GERMAN FIRMS IN BURMA, WE UNDERSTAND THAT A MAJOR
REASON FOR AWARD OF ALL PROJECTS TO GERMAN
CONTRACTORS IS THAT FRITZ WERNER, A LARGE BERLIN
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FIRM SPECIALIZING IN THE SETTING UP OF PLANTS AND
EQUIPMENT, HAS BEEN ACTIVE IN BURMA FOR A NUMBER
OF YEARS AND HAS EXCELLENT COMMERCIAL AND GOVERNMENT
CONNECTIONS. WHILE MANAGEMENT OF THIS FIRM IS
INDEPENDENT OF DIRECT GOVERNMENT CONTROL, IT
IS REVEALING TO NOTE THAT FRITZ WERNER IS OWNED BY
AN INDUSTRIAL HOLDING COMPANY WHICH IS IN TURN
CONTROLLED BY AN INDUSTRIAL BANK IN BERLIN, AND THAT

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THIS INDUSTRIAL BANK IS OWNED BY FRG AND THE KFW.
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